



## 1999 SMALL BUSINESS PROFILE: SOUTH DAKOTA

By any measure, small businesses are critical to the economic well-being of South Dakota. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups. These contributions are clearly established in the statistical portrait contained in this *Small Business Profile* compiled by the U.S. Small Business Administration's Office of Advocacy.

**Number of Businesses.** In 1998 there were 21,700 businesses with employees, of which approximately 97 percent were small businesses (fewer than 500 employees). The number of small businesses with employees increased by 1.6 percent from 21,400 in 1997. There were also 55,000 self-employed persons in 1998. While there is some overlap between these two groups (firms with employees and self-employed persons), a rough calculation puts the total number of businesses at 76,700. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)

**Women-Owned Businesses.** There were 18,000 self-employed women in 1998, representing 32.7 percent of total self-employment in the state. (Source: U.S. Dept. of Labor, Bureau of Labor Statistics)

**Minority-Owned Businesses.** According to the latest figures available, there were 891 minority-owned businesses in 1992, including 111 Black-owned businesses; 239 Hispanic-owned firms; and 555 firms owned by Asians, Pacific Islanders, American Indians, and Alaskan Natives. (Data may not add to the total because an owner may be a member of more than one minority group.) Of these businesses, 248 had employees, with employment totaling 1,300. (Source: U.S. Dept. of Commerce, Bureau of the Census)

**Business Turnover.** In 1998, 1,900 new employer firms were formed, 1.2 percent fewer than the number formed in 1997. There were 2,300 business terminations in 1998, a 13.0 percent decrease from 1997. Business bankruptcies totaled 200 in 1998, a 15.8 percent decrease from 1997. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Bureau of the Census)

**Employment.** In 1996, businesses with fewer than 500 employees accounted for 173,300 employees, or 63.7 percent of the state's 272,200 private-sector non-farm employment. Small-business employment was concentrated in the following sectors: wholesale trade; retail trade; and transportation, communications, utilities (see Table 1). Small businesses added a net total of 3,800 employees between 1995 and 1996, accounting for 75 percent of private non-farm employment growth in the state (see Table 2). The industries with the largest percent increases in employment among small businesses were: engineering and management services; miscellaneous manufacturing industries; and industrial machinery and equipment. (see Table 3). (Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses)

Recent figures show that small firm job growth has continued. According to data prepared for the SBA's Office of Advocacy by Cognetics, Inc., non-farm businesses added 28,800 net new jobs in the state between 1994 and 1998. In almost all industries, the most prolific job creators were firms with fewer than five employees. (Source: Cognetics, Inc.)

**Small Business Income.** There is no single measure of small business profitability because firms may operate as sole proprietorships, partnerships, or corporations. A partial measure — non-farm proprietors' income — totaled \$1.7 billion in 1998, an increase of 8.0 percent from \$1.6 billion in 1997. (Source: U.S. Dept. of Commerce)

**Finance.** The SBA's Office of Advocacy ranked the 105 banks in the state that filed "call reports" with federal banking regulators on the basis of dollar value, number, and percentage of small commercial loans (under \$1 million) outstanding on June 30, 1998. (See Table 4 for the top-ranking small-business-friendly banks.) In addition to these banks, small businesses seeking loans should consider lenders that participate in the SBA's loan programs (so-called "preferred" or "certified" lenders); for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722. Small businesses looking for qualified investors can also turn to the Access to Capital Electronic Network (ACE-Net). For more information, contact an ACE-Net operator at (605) 677-5287 or via e-mail at [wdruin@usd.edu](mailto:wdruin@usd.edu).

To learn more about the Office of Advocacy's data, analyses, and research reports on small business, call (202) 205-6530 or visit the office's Web site at [www.sba.gov/advo](http://www.sba.gov/advo).

## TABLES

**Table 1.** Employment by Industry and Firm Size, 1996 (thousands)

<i>Industry</i>	<i>Total</i>	<i>Firm Size by Number of Employees</i>		<i>&lt; 500 as Percent of Industry Total</i>
		<i>1-19</i>	<i>1-499</i>	
<b>Total non-farm employment</b>	<b>272.2</b>	<b>70.3</b>	<b>173.3</b>	<b>63.7</b>
Agricultural services	*	*	*	*
Mining	2.0	*	*	*
Construction	12.8	7.7	*	*
Manufacturing	45.5	3.4	16.4	36.1
Transportation, communications, and utilities	13.8	4.1	9.4	68.0
Wholesale trade	18.5	6.1	15.1	81.6
Retail trade	66.5	19.9	45.4	68.3
Finance, insurance, and real estate	19.6	4.4	10.3	52.8
Services	92.0	23.4	61.7	67.0
Unclassified	*	*	*	*

\* Data not available due to disclosure restrictions.

Source: U.S. Dept. of Commerce, Bureau of the Census.

**Table 2.** Non-Farm Job Gains and Losses by Firm Size, 1995–1996 (thousands)

	<i>Total</i>	<i>Firm Size</i>	
		<i>1–19</i>	<i>1–499</i>
Gains:			
New establishments	15.1	5.8	9.5
Expanding establishments	23.1	9.2	17.6
Losses:			
Downsized establishments	(21.8)	(6.5)	(14.7)
Closed establishments	<u>(11.2)</u>	<u>(4.8)</u>	<u>(8.6)</u>
Net change in employment	5.1	3.7	3.8

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

**Table 3.** Fastest Small Business Employment Growth by Industry, 1995–1996 (thousands)

<i>Industry</i>	<i>SIC</i>	<i>Small Business Employment 1996</i>	<i>Net Change*</i>	<i>Percent Change</i>
Total, all Industries		173.3	0.7	0.4
Engineering and management services	8700	3.3	0.4	12.3
Miscellaneous manufacturing industries	3900	1.7	0.2	11.7
Industrial machinery and equipment	3500	3.0	0.3	9.5
Printing, publishing, and allied industries	2700	2.2	0.2	8.9
Hotels and other lodging places	7000	5.8	0.4	8.2

\* Net change in Table 2 differs by definition from net change in Table 3. Table 2 uses dynamic data to track changes in individual businesses over time, whereas Table 3 uses static data to take snapshots of the universe of businesses at two different points in time.

Note: Table shows the top five industries. Includes only businesses with fewer than 500 employees. Industries with less than 1 percent change in small business employment are not included.

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

**Table 4.** Small-Business-Friendly Banks, 1998

<i>Bank Name</i>	<i>Location</i>
First Premier Bank	Sioux Falls
First National Bank in Garretson	Garretson
Rushmore Bank and Trust Company	Rapid City
Peoples State Bank	De Smet
First Western Bank Sturgis	Sturgis
Dakota State Bank	Colman
Farmers State Bank of Estelline	Estelline
Merchants State Bank	Freeman
American State Bank of Rapid City	Rapid City
Farmers State Bank	Marion
Marquette Bank South Dakota, N.A.	Sioux Falls
Norwest Bank South Dakota, N.A.	Sioux Falls

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's Web site at [www.sba.gov/advo/lendinginus2.html](http://www.sba.gov/advo/lendinginus2.html).